

# Financial Guidance for Manaaki

## Purpose

The Financial Guidance document is intended to support MFAT and NGOs with financial aspects of the design and implementation of Manaaki Activities.

## Intended audience

Organisations entering into Partnerships with MFAT, and MFAT staff through the Manaaki Fund.

## Content

The document includes references to relevant MFAT policies. Sections which are policy are identified as 'MFAT policy' in the document.

The Financial Guidance may be updated periodically to reflect new or amended MFAT policy and/or to amend guidance based on lessons learned in implementing the Partnering for Impact initiative.

## Version

Version 2: 10 September 2025

## 1. Overheads and Allowable Budget Percentages

Components of MFAT's **Accepted Budget Expenditure Policy** are outlined below in relation to the Manaaki Fund and outlines what will and will not be accepted for funding by International Development Cooperation (IDC) non-departmental (Crown) expenditure, (the New Zealand Aid Programme).

### a) New Zealand based management overhead costs (range from 3-10% of the total Activity)

These are costs that are overhead for the wider entity that are not directly attributed to the Activity such as:

- the costs for corporate functions that enable the operation of the entity overall (e.g., share of the time of the Chief Executive, Chief Financial Officer, Human Resources Manager)
- a share of the entity's costs which enable operation of the entity (e.g. rental of the head office, electricity, etc.).

These overhead costs should be reasonable, i.e., they represent an increase in management costs incurred to deliver this Activity and/or how much time the entity overall spends on this Activity compared to other services it delivers (e.g., whether this is an appropriate share of fixed and variable operational costs the organisation will incur, referring to the size of this Activity relative to their entity's operations and funding).

### b) In-country management overhead costs (range from 3-10% of the total Activity)

This may be if the NZ NGO has an in-country office (usually in the capital), and/or partner organisation office/s, from where activities are co-ordinated and supported. This should include the overhead costs of all in-country partners in-line with the description of corporate and other operational functions listed in point a) above. These may not necessarily be at the site where the Activity takes place.

### c) Other costs or common output costs

These are costs associated with managing the Activity including the staff delivering the Activity (e.g., project manager). Generally this additional time and, therefore, cost should be specifically identified as part of the Activity outputs. Where possible, these costs should be allocated to outputs. For those costs to deliver the Activity that cannot be allocated, the budget/costed workplan should specify what those costs relate to (e.g., by staff position) and the part of the workplan or specifications being delivered to ensure there is no duplication with other output costs. Costs that cannot be allocated to one or two output/s should be specified within 'common output costs'.

## 2. Miscellaneous Expenses

### MFAT Policy

The term 'miscellaneous' on its own will not be accepted as a budget item, it must always show in the details column what items are being charged under a miscellaneous heading.

## 3. Sensitive Expenditure

Entertainment expenses and Koha are considered sensitive expenditure and should be identified and explained in the budget. MFAT staff should refer to relevant Ministry policy including on sensitive expenditure and Koha in appraising entertainment expenses and/or Koha.

### MFAT Policy

- MFAT does not pay for alcoholic drinks
- MFAT does not pay for social functions. It will cover workshop refreshments or meals when they are an integral part of the Activity.

## 4. Equipment, Assets and Vehicles

### MFAT Policy

When purchasing equipment for an Activity, budgets must detail who will own it, who is responsible for the equipment once purchased, and what will happen to the equipment at the end of the Activity. This includes equipment such as computers, software, cameras etc., which must be itemised along with what it is being purchased for.

Equipment is normally retained by or given to the partner government or non-commercial organisation (in-country) running the Activity. Assets not required should be sold through an open process and the funds be returned through the Activity<sup>1</sup>. The recipient is responsible for maintaining an asset register (and asset transfer process, where applicable) of all equipment purchased for an Activity.

It is not standard practice for MFAT to purchase vehicles. For this to be considered, it must be necessary for the successful completion of an Activity and meet an assessment of reasonableness and cost effectiveness based on the facts and circumstances of the contract. Consideration should be given to the availability of local transport and the local security situation.

- In grants to partner governments and non-commercial organisations, any vehicles purchased are owned by the government or organisation.

## 5. Monitoring, Evaluation, Research and Learning (MERL) financing

MERL is an integral part of Manaaki and as such partners must ensure sufficient funds are set aside for this. MERL costs should be provided as a separate costing in the budget.<sup>2</sup>

## 6. Foreign Exchange Fluctuations and Inflation

When submitting a budget/costed workplan, partners should always factor in inflation and currency fluctuations having assessed these over at least the last three years. Foreign exchange gains and losses will be expected to be managed within the Activity by scope changes.

## 7. Co-Investment

Co-investment is the financial contribution by both MFAT and NZNGOs to collectively invest in agreed development outcomes. It is a crucial value-add for both NZNGOs and MFAT to leverage their respective resources. The ability of NZNGOs to engage the public and leverage additional funds was a key part of the rationale for a dedicated NZNGO funding pool.

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<sup>1</sup> Unless the contract stipulates the asset goes to the community.

<sup>2</sup> We recommend allocating 5-8% of the total budget to MERL activities, depending on the complexity of the activity and context.

MFAT's co-investment guidelines are that:

- At least 60% of NZNGO co-investment funding should come from New Zealand sources (this can include funding raised from: the public in NZ; NZ citizens based offshore; NZ based philanthropic organisations; income from NZ based services and NZ based private sector);
- Up to 40% of NZNGO co-investment funding can come from other funding sources, where additionality can be demonstrated<sup>3</sup>; and
- Up to 30% of the total co-investment can be considered for in-kind contributions (see 8 below).
- Co-investment from local CSOs or project beneficiaries/target communities is allowed as this may demonstrate commitment to the project and increase sustainability of outcomes. However, the NZNGO should provide a strong rationale as to how the support is derived; why it adds to the work; and how the NZNGO ensured there is no pressure on the in-country partners to contribute.
- The level of NGO co-investment required depends on the region of project implementation: Pacific - 20%, South East Asia Least Developed Countries - 25% and in circumstances where locations outside these were agreed – 33%.
- Co-investment can be paid upfront or pro-rated across all years. MFAT does not require a fixed/the same proportion of co-investment payments each year, but the spread needs to be agreed with MFAT and the co-investment cannot be applied in the final year only.
- In circumstances where co-investment (cash or in-kind) expected to come from a third party can no longer be sourced, NZNGOs are expected to find alternative means to make up the shortfall.

## 8. In-Kind Support

The acceptance of in-kind co-investment is at the discretion of MFAT. In-kind contributions can be provided by the NZ NGOs and/or in-country partners but they must directly contribute to the delivery of activity/outputs and outcomes. They may include:

- Use of plant and equipment
- Raw materials
- Skills/labour (staff time will be valued at pro-rata direct salary costs inclusive of leave entitlements, ACC as long as these reflect reasonable market rates)
- Volunteer inputs (usually costed at the minimum wage except in exceptional cases at MFAT's discretion, where the volunteer is providing professional services which would otherwise need to be sourced from the market).
- Overhead costs specific to the project (i.e. Communications, IT equipment, office and facilities).

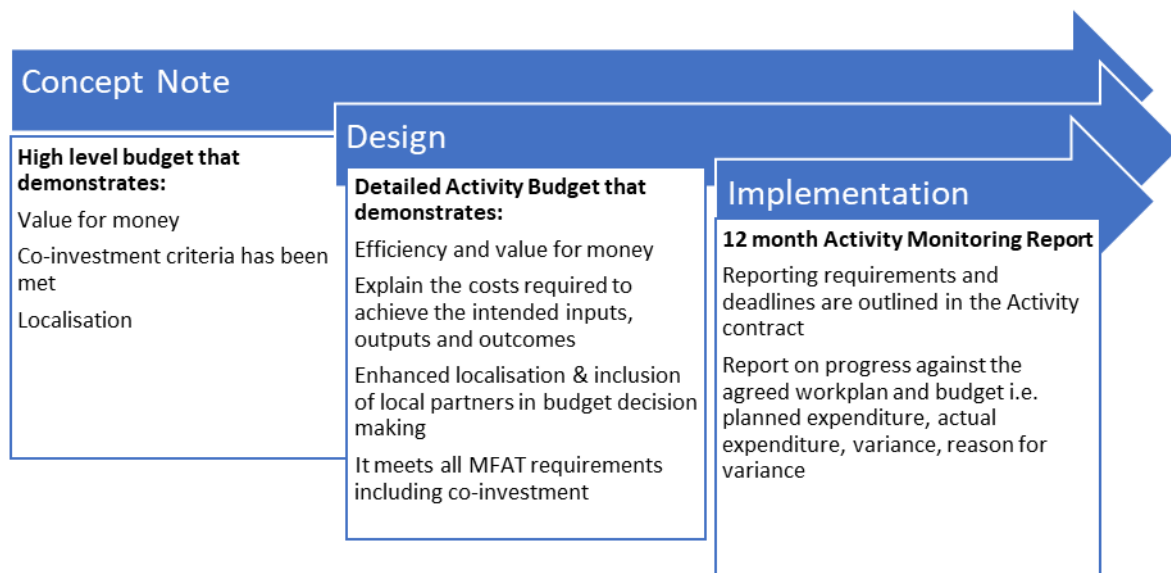
In-kind support can be provided by the NZ NGO and/or in-country partners. The NGO should be able to provide particulars of goods or services sent overseas and clear justification for in-kind reporting.

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<sup>3</sup> See 1.3 in the Manaaki Guidelines

## 9. Overview of the Process for Budget Management and Approval

Figure 1: Processes and information requirements from NGOs



## 10. Details of the Process for Budget Management and Approval

### *Pre Design*

**Due diligence:** This assesses the NGO's financial systems and controls.

### *Design and Workplans*

#### **What is required for business case/contract approval?**

A detailed Activity budget should be provided in a format or template from the NGO applicant's systems and processes. This budget should be in NZD and follow the guidance in section 3 of the Manaaki Design Document.

### *Implementation*

All Manaaki partners must complete Activity Monitoring Reports at agreed milestones outlined in the Funding Arrangement. This will include a report on progress against the agreed workplan and budget i.e. planned expenditure, actual expenditure, variance, reason for variance. Please highlight in reporting if changes between outputs or budget sections over 10% are proposed.

Please contact [partneringforimpact@mfat.govt.nz](mailto:partneringforimpact@mfat.govt.nz) if you require any support.